

NEW APPLICATION**BEFORE THE ARIZONA CORPORATION COMMISSION**COMMISSIONERS

LEA MÁRQUEZ PETERSON - Chairwoman
SANDRA D. KENNEDY
JUSTIN OLSON
ANNA TOVAR
JIM O'CONNOR

In the matter of:

Automata FX Ltd., a Saint Vincent and the
Grenadines company, and

Joseph T. Nemeth, a single man,

Respondents.

DOCKET NO. S-21156A-21-0165

**TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING**

NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY

EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents Automata FX Ltd. and Joseph T. Nemeth are engaging in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act") and that the public welfare requires immediate action.

The Division also alleges that Joseph T. Nemeth is a person controlling Automata FX Ltd. within the meaning of A.R.S. § 44-1999(B), so that he is jointly and severally liable under A.R.S. § 44-1999(B) to the same extent as Automata FX Ltd. for its violations of the antifraud provisions of the Securities Act.

I.**JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.**RESPONDENTS**

2. Automata FX Ltd. (“Automata”) is a company organized under the laws of the country of Saint Vincent and the Grenadines. Automata has not been registered by the Commission as a securities dealer, and none of its securities have been registered by the Commission. Joseph T. Nemeth (“Nemeth”) founded Automata. On information and belief, Nemeth is the manager of Automata FX and has been its manager since it was organized. Nemeth also styles himself as Automata’s “Managing Director.” Automata has had its headquarters in Arizona since at least August 2015.

3. Since at least June 27, 2014, Nemeth has been a resident of the state of Arizona and a single man. Nemeth also uses the name Jozef Nemeth. Nemeth has not been registered by the Commission as a securities dealer or salesman. Nemeth has registered the trade names “Automata Global Management,” “GCU Associates,” and “Global Profit Associates” with the Arizona Secretary of State.

III.**FACTS**

4. Automata purports to offer a brokerage platform for automated trading on the foreign exchange market. Automata has a website visible to the general public at <https://automatafx.com> (“Website”).

Automata Managed Accounts

5. Automata offers services that it refers to as “managed accounts” (“Managed Accounts”). An Automata “prospectus” for its Managed Accounts describes them as, “a pooled investment offering utilizing a combination of proprietary automated algorithmic Forex trading strategies.” The Website advertises the Managed Accounts and claims they are similar to a hedge fund and operate with “proprietary automatic algorithmic strategies traded through our one-of-a-kind platform, further monitored by our trading professionals.” The Website explains that Automata

1 provides "professional, hands-on strategy and management" for Managed Accounts. The Website
2 also touts Managed Accounts by noting, "Our fund is entirely performance based. We don't make
3 money unless you make money." Automata currently claims that the average annual return for
4 Managed Accounts is 28%. Funds that an investor deposits to a Managed Account cannot be
5 withdrawn for one year.

6 6. Automata has offered Managed Accounts since at least August 31, 2015, and has
7 advertised Managed Accounts on its Website since at least October 18, 2016.

8 7. Automata guaranteed some investors that their Managed Accounts would earn a profit
9 of at least 30% every quarter.

10 8. In August 2015, a potential investor visited Nemeth at Nemeth's Arizona home, and
11 during and after that visit Nemeth encouraged and lobbied that potential investor to invest in
12 Automata. Nemeth told the potential investor that any funds he invested in Automata would be very
13 safe because Nemeth had total control over Automata. The investor later invested \$50,000 in a
14 Managed Account.

15 9. Nemeth previously maintained a bank account in his own name doing business as
16 "Automata FX." At least one investor paid their investment proceeds for a Managed Account
17 investment directly to Nemeth using this bank account on February 28, 2017.

18 10. Since at least January 25, 2021, some or all of Automata's investors have been unable
19 to withdraw their investments funds. Automata has made excuses for its inability to return investor
20 funds, including claiming that a United Arab Emirates bank had closed Automata's bank account.

21 **GCU Program**

22 11. Automata currently claims that it offers accounts to U.S. residents only if they are
23 denominated in Global Currency Units ("GCUs"). GCUs are digital token assets issued by Global
24 Profit Technologies, Inc. ("Global Profit Technologies"), a Florida corporation that Nemeth has been
25 the President of since at least July 3, 2014. Global Profit Technologies claims that, "GCU represents
26 an exciting new digital asset with serious global utility applicable to hi-end technology, modern

1 lifestyles, and unique investment opportunities.” Global Profit Technologies is an affiliate and
2 “strategic partner” of Automata.

3 12. Automata offers on its Website a type of Managed Account that it calls the “300%
4 Guaranteed GCU Growth Program” (“GCU Program”). The Website claims, “For the last 5 years,
5 Automata has produced exceptional results for its clients from all over the world. As good as those
6 profits have been, they pale in comparison to the potential rewards which the new 300% Guaranteed
7 GCU Growth Program is about to unleash.” The Website continues, “This is, by far, the most
8 lucrative program we have ever offered, and quite possibly the most profitable opportunity some of
9 us will ever find.”

10 13. Automata offers three investment levels for the GCU Program: 1) \$2,500 for 50,000
11 GCU in a GCU Executive Account, 2) \$10,000 for 250,000 GCU in a GCU Advanced Account, and
12 3) \$30,000 for 1,000,000 GCU in a GCU VIP Account. The Automata Website promises a, “300%
13 GCU Profit Guarantee. End of Year 1: Guaranteed 50% Profit. End of Year 2: Guaranteed 100%
14 Profit. End of Year 3: Guaranteed 150% Profit. End of Year 4: Guaranteed 200% Profit. End of Year
15 5: Guaranteed 300% Profit.”

16 14. Automata has offered the GCU Program on its Website with a promise of guaranteed
17 profits since at least November 16, 2019.

18 15. The GCU Program also features a “partner participation rewards account” that
19 compensates investors in US Dollars for referring other investors to the GCU Program. Investors
20 that make referrals are offered a commission of 20–50% of the amount invested by the investors they
21 refer. The referral commission rate is based on the amount already invested by the investor making
22 the referral.

23 16. Automata also posts videos describing its services that are available for the general
24 public to view on YouTube. Automata describes its GCU Program in one of these videos (“Video”).
25 Although the Website currently refers to a 300% guaranteed profit for the GCU Program, the Video
26 refers to an older 200% guaranteed profit level for the GCU Program. Automata states in the Video,

1 “What if we told you about an exclusive and unique opportunity to participate in a guaranteed
2 investment program with a 200% minimum profit guarantee.” Automata also states in the Video,
3 “This program features an unheard of progressive 200% profit guarantee.” In the Video, Automata
4 also displays several charts and says, “Take a look at these charts that illustrate how a small \$2,500
5 deposit could grow to \$15,000 under the worst-case scenario. With the 200% minimum profit
6 guarantee the \$30,000 VIP program could grow to ... \$300,000 in the worst-case scenario.”
7 However, the charts in the Video do not illustrate a worst-case scenario because they assume that
8 each GCU will have a value of \$0.10. The true worst-case scenario is that GCU will be worthless
9 and that every GCU Program investor will lose their entire investment. The Video encourages
10 viewers to go to the Automata Website to open an account, invest in the GCU Program, and then
11 “Just sit back and let the profits and rewards roll in.”

12 17. In March and April 2021, Automata sent emails to some or all of its existing Managed
13 Account investors. The emails offered to instantly double the value of the investors’ Automata
14 accounts and linked to a webpage that contained a statement by Nemeth as Managing Director of
15 Automata (“Statement”). In the Statement, Nemeth offers to convert some or all of an investor’s
16 Automata account balance to a crypto asset. The crypto asset that Nemeth’s Statement refers to is
17 GCU. Nemeth also claims in the Statement, “So over the past few months, in co-operation with our
18 strategic partners, we have created an extraordinary financial structure that allows us to offer our
19 clients a guaranteed pathway to immediately double the value of your account, and then multiply it
20 a minimum of additional 100 times. Guaranteed.” In the Statement, Nemeth claims that the crypto
21 asset has a “guaranteed future value of \$1.00 USD, which you will get for less than half a cent.”
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IV.

VIOLATION OF A.R.S. § 44-1841

(Offer and Sale of Unregistered Securities)

18. From on or about August 31, 2015, Respondents have been offering or selling securities in the form of investment contracts, within or from Arizona. Nemeth has made, participated in, and/or induced some of Automata's securities sales.

19. The securities referred to above are not registered pursuant to Articles 6 or 7 of the Securities Act.

20. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

21. Respondents are offering or selling securities within or from Arizona while not registered as a dealer or salesman pursuant to Article 9 of the Securities Act.

22. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

23. In connection with the offer or sale of securities within or from Arizona, Respondents are, directly or indirectly: (i) employing a device, scheme, or artifice to defraud; (ii) making untrue statements of material fact or omitting to state material facts that are necessary in order to make the statements made not misleading in light of the circumstances under which they are made; or (iii) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

- a) Automata and Nemeth falsely stating that any funds invested in Automata are very safe; and
- b) Automata falsely stating that the worst-case outcome for some Managed Account investments was better than a total loss of the investment.

24. This conduct violates A.R.S. § 44-1991.

VII.

CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999

25. From at least August 31, 2015, to the present, Nemeth has been and/or held himself out as a controlling person, founder, member, manager, and/or managing director of Automata.

26. From at least August 31, 2015, to the present, Nemeth directly or indirectly controlled Automata within the meaning of A.R.S. § 44-1999. Therefore, Nemeth is jointly and severally liable to the same extent as Automata for its violations of A.R.S. § 44-1991 from at least August 31, 2015, to the present.

VIII.

TEMPORARY ORDER

Cease and Desist from Violating the Securities Act

THEREFORE, based on the above allegations, and because the Commission has determined that the public welfare requires immediate action,

IT IS ORDERED, pursuant to A.R.S. § 44-1972(C) and A.A.C. R14-4-307, that Respondents, their agents, servants, employees, successors, assigns, and those persons in active concert or participation with Respondents CEASE AND DESIST from any violations of the Securities Act.

IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in effect for 180 days unless sooner vacated, modified, or made permanent by the Commission.

IT IS FURTHER ORDERED that if a request for hearing is made, this Temporary Order shall remain effective from the date a hearing is requested until a decision is entered unless otherwise ordered by the Commission.

1 IT IS FURTHER ORDERED that this Order shall be effective immediately.

2 IX.

3 REQUESTED RELIEF

4 The Division requests that the Commission grant the following relief:

- 5 1. Order Respondents to permanently cease and desist from violating the Securities Act,
6 pursuant to A.R.S. § 44-2032;
- 7 2. Order Respondents to take affirmative action to correct the conditions resulting from
8 Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to
9 A.R.S. § 44-2032;
- 10 3. Order Respondents to pay the state of Arizona administrative penalties of up to five
11 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
- 12 4. Order any other relief that the Commission deems appropriate.

13 X.

14 HEARING OPPORTUNITY

15 Each respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. Rule 14-4-
16 307. **If a Respondent requests a hearing, the requesting respondent must also answer this**
17 **Temporary Order and Notice.** A request for hearing must be in writing and received by the
18 Commission within 20 days after service of this Temporary Order and Notice. The requesting
19 respondent must deliver or mail the request for hearing to Docket Control, Arizona Corporation
20 Commission, 1200 West Washington, Phoenix, Arizona 85007. Filing instructions may be obtained
21 from Docket Control by calling (602) 542-3477 or on the Commission's Internet website at
22 <http://www.azcc.gov/hearing>.

23 If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10
24 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties,
25 or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary**
26 **Order shall remain effective from the date a hearing is requested until a decision is entered.**

1 After a hearing, the Commission may vacate, modify, or make permanent this Temporary Order, with
2 written findings of fact and conclusions of law. A permanent Order may include ordering restitution,
3 assessing administrative penalties, or other action.

4 If a request for hearing is not timely made, the Division will request that the Commission make
5 permanent this Temporary Order, with written findings of fact and conclusions of law, which may
6 include ordering restitution, assessing administrative penalties, or other relief.

7 Persons with a disability may request a reasonable accommodation such as a sign language
8 interpreter, as well as request this document in an alternative format, by contacting Carolyn D. Buck,
9 ADA Coordinator, voice phone number (602) 542-3931, e-mail cdbuck@azcc.gov. Requests should
10 be made as early as possible to allow time to arrange the accommodation.

XI.

ANSWER REQUIREMENT

13 Pursuant to A.A.C. R14-4-305, if a Respondent requests a hearing, the requesting respondent
14 must deliver or mail an Answer to this Temporary Order and Notice to Docket Control, Arizona
15 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days
16 after the date of service of this Temporary Order and Notice. Filing instructions may be obtained
17 from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
18 <http://www.azcc.gov/hearing>.

19 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
20 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
21 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
22 addressed to Paul Kitchin.

23 The Answer shall contain an admission or denial of each allegation in this Temporary Order
24 and Notice and the original signature of the answering respondent or the respondent's attorney. A
25 statement of a lack of sufficient knowledge or information shall be considered a denial of an
26 allegation. An allegation not denied shall be considered admitted.

1 When the answering respondent intends in good faith to deny only a part or a qualification
2 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
3 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

4 The officer presiding over the hearing may grant relief from the requirement to file an
5 Answer for good cause shown.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 28th day of May
7 2021.



Mark Dinell
Director of Securities